

InsideTVA

TVA's Leadership Standard: Achieve Excellence in Business Performance and Public Service

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TVA: Seven Decades of Service

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Fiscal exam focuses on review of programs

Accelerated reductions of debt and fixed costs essential for success

A review of programs and functions throughout TVA is underway to identify cost savings that will help TVA prepare for competition and customer choice.

The program reviews follow the release of the draft TVA Strategic Plan on Oct. 1. The plan describes the challenges TVA can expect in a competitive environment. A key finding is that when customers have choice, TVA no longer will have the stable revenues it has traditionally enjoyed.

"To weather such volatile conditions, TVA must achieve greater financial flexibility," says Chairman Glenn McCullough. "That means we must start now to accelerate debt reduction and reduce other fixed costs.

"The program reviews now underway are an important step toward reducing costs and improving our financial condition."

The reviews cover all functions and staffing levels — including supervisory ratios — and compare TVA activities to updated benchmark data on work

methods and staffing.

The reviews will result in organizations' ranking their activities in order of importance to TVA's basic mission.

"This evaluation will give us information for deciding whether we should keep, eliminate, or outsource programs and functions, and whether we have surplus staffing situations," says John Long, Executive Vice President of Human Resources.

Much of the necessary budget reductions are expected to come from 1) reductions in capital projects, which will reduce spending for materials and contractors, 2) reductions in contractors supporting ongoing work and 3) a methodical review of all TVA programs and functions, including staffing levels.

No involuntary reductions in force will take place until after February 2004, by which time the program reviews will be complete and results shared with employees. Some reviews are very broad in scope, however, and will take longer, extending beyond February.

In areas that are identified for pos-

'To weather such volatile conditions, TVA must achieve greater financial flexibility.'

— Chairman Glenn McCullough

sible outsourcing, TVA will use the Contract Decision Model to determine whether outsourcing would be cost-effective. See "Program reviews" on page 6

Legislative Update

Energy Bill stalls; vote to end debate falls 2 votes short

Stalled in the U.S. Senate, the Energy Policy Act of 2003 likely will wait until 2004 for passage or failure.

A vote to end debate on the bill came up two votes short Nov. 21. And when Senate Majority Leader Bill Frist and other supporters were unable to negotiate compromises to ensure a successful second vote, the bill was placed on a congressional back burner.

The delay could make passage more difficult, Washington insiders say. Since it is largely a Republican-crafted bill, Democrats are thought less likely to support it in 2004, a presidential election year.

At press time, a possibility remained that the bill could be attached to other legislation and return to the floor when the Senate reconvened this week.



Who's reviewing what — an organizational outlook

Organizations across TVA are evaluating their programs, functions and staffing levels, with many reviews being done by cross-functional peer teams.

The reviews include comparing TVA's practices to updated benchmark data on work methods and staffing. The goal is to complete the reviews by the end of February 2004, with the understanding that the most comprehensive reviews will take longer.

Each major TVA organization has identified categories into which its programs and functions are grouped for review:

Chief Operating Officer — Reviews are focused on cross-functional work including the Power Service Shops, Heavy Equipment Department, Laboratory Services, Research, Public Power Institute and certain stewardship activities. Also, several functions have been identified as having the potential for cost savings through consolidation or some form of workforce sharing. These are Business Services, Operations Support, Environmental and Engineering (specifically engineering-contractor levels). In addition, reductions in capital operations-and-maintenance spending are currently under review.

Chief Financial Officer — Program reviews are under way in all areas of responsibility reporting to the CFO.

Customer Service & Marketing — Reviews are examining Core Products & Services, Non-Core Products & Services, and Support Services.

Economic Development — Reviews are evaluating Industrial Develop-

See "Who's reviewing what" on page 6

what's new

IN EMPLOYEE NEWS

Did you say '70' hours?

When the TVA-wide "70 Hours of Service" public-service campaign was announced early this year, several employees must have misread or misheard it as "700 Hours"

When they turned in to the TEAM TVA Employee Volunteer Program the amount of time spent helping in their communities, Jim Swearingen of Sequoyah Nuclear Plant and Alan Sampson of Knoxville reported 725 and 736 hours, respectively.

Sequoyah's Ray Newby totaled 771 hours.

But the top number was that of Phillip Grooms of Watts Bar Nuclear Plant, who gave 900 hours of his personal time as Scoutmaster for a troop of Boy Scouts.

In all, 108 employees achieved the 70-hour goal or better.

A full list and more information is being placed on the TEAM TVA portion of TVA's internal Web site.

InsideTVA

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TVA is an equal-opportunity and affirmative-action employer. TVA also ensures that the benefits of programs receiving TVA financial assistance are available to all eligible persons, regardless of race, color, sex, national origin, religion, disability or age.

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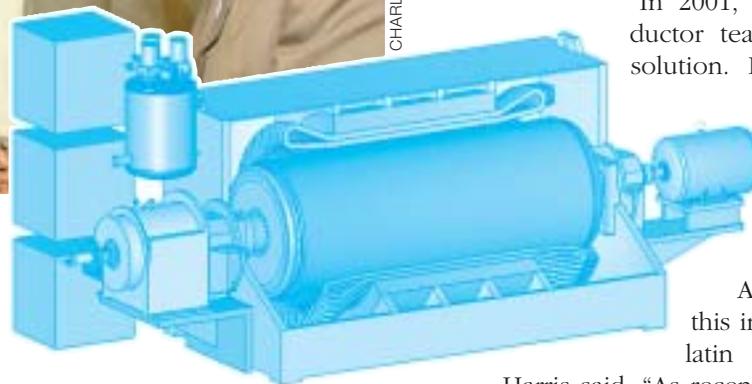


SuperVAR potential grid superstar



CHARLIE BROOKS

From left, electrical engineering professor Jim Davidson of Vanderbilt University and Deepak Divan, President and Chief Executive Officer of SoftSwitching Technologies, discuss the new SuperVAR technology with TVA's Mike Ingram. Ingram, Program Manager in Energy Research & Technology Applications, coordinated TVA's participation in the development of the SuperVar dynamic-synchronous condenser shown above right. SuperVARs are high-temperature superconductor rotating machines that run in harmony with the power system. They are controlled by a regulator to generate or absorb reactive power, acting as a "shock absorber" when the power system's voltage drops or changes suddenly.



Reliable, affordable power — SuperVar technology will help TVA provide this product to its customers.

By reducing voltage "flickers" on the transmission system, future brownouts and blackouts can be prevented. And the SuperVAR machine is expected to use 50-percent less energy than conventional voltage-stabilizer technologies, helping reduce the overall cost of delivering power.

As the demand for power increases and more electricity is transmitted, power lines become stressed, leading to voltage instability and possible power outages.

In 2001, a TVA-American Superconductor team began trying to find a solution. Early next year, the new SuperVAR technology, created by the TVA-American Superconductor team, will be connected to Gallatin Department of Electricity's grid.

At last month's unveiling of this innovative technology at Gallatin Fossil Plant, Director Skila

Harris said, "As recent events showed us, reliable electricity is a precious commodity. TVA has always worked to provide affordable, reliable power to the people of the Tennessee Valley.

"Thanks to the ingenuity of TVA and American Superconductor engineers, we believe SuperVAR machines will help TVA continue to meet that commitment."

Expanded Speakers Bureau spreading the word about TVA

The TVA Speakers Bureau is expanding its efforts to generate greater public awareness about key issues important to TVA, now reaching out to local, state, and national audiences.

To better help the public know and understand TVA's value and relevance, the Speakers Bureau provides these services:

- Communicates with key audiences on a variety of business topics.
- Contributes to improvement of ongoing stakeholder relationships.
- Ensures that messages are aligned with TVA's strategic objectives.
- Increases TVA's interaction with Tennessee Valley communities.

In the past several months, members of Speakers Bureau have spoken to civic organizations, educational groups, chambers of commerce and a financial organization. Coaching sessions have been provided to more than 40 employees to help them with the difficult task of public speaking.

Anyone aware of an opportunity for the Speakers Bureau to speak to a local, state or national organization — or who knows of an employee who would be a good candidate for the Speaker's Bureau should call Katie Bell, Manager of Community Relations, at 865-632-3756.

More information, including how to request a speaker, is available on TVA's internal Web site under "External Communications-Community Relations."

what's new online

New Web site for Economic Development

Last month, Economic Development launched a new Web site with the theme "One Source. Seven States."

The site contains information for businesses and industries that want to locate or expand in the Tennessee Valley.

The external site has been redesigned and includes more comprehensive infor-

mation on demographics, workforce statistics and regional tools.

It also contains information on programs and services, including industrial development, existing industry support, community development, small-business resources and technical services.

The site is at www.tva.com/econdev.

Meet your new travel buddy.



Procurement Announces New Travel Services Provider

Effective Dec. 1, TVA's Travel Services provider changed to World Travel Inc.

New contact info

Address: 10201 Parkside Dr., Knoxville, TN 37922
 Main number: 865-777-1645
 Toll-free number: 1-866-572-0125
 After hours: Inside the United States: 1-866-803-5420 code M8S
 outside the U.S. (call collect): 818-575-4313 code M8S
 Leisure number: 865-777-1600; 1-800-251-9047, Option 1
 Email: worldtravel@tva.com
 Teri Harkrader tharkrader@tva.com 865-777-1647
 Lori Ray lray@tva.com 865-777-1646
 Sherri Ruoff sruoff@tva.com 865-777-1648
 Web site: www.worldtravel.com

See the Nov. 14 and Dec. 1 *TVA Today's* for more information.

Inside insights —

Managing TVA's contractor-workforce resource

TVA's Contractor Workforce Management Team was formed to ensure that this resource is being used efficiently throughout the corporation. In this editorial, Chief Operating Officer Ike Zeringue explains what the team has done and is doing in conjunction with TVA's draft Strategic Plan.

Contractor usage has risen significantly in TVA in recent years, as we have embarked on major new programs like Browns Ferry 1 recovery and clean-air upgrades for our fossil plants.

This has been an area of concern to me for some time, because I felt we did not have the proper controls or management information necessary to

assess our contracting practices.

It is for this reason that we appointed a Contractor Workforce Management Team.

This team developed and instituted a contractor-workforce policy and currently is implementing a detailed contractor process to ensure the controls are in place to enforce that policy.

The controls include market-based pay rates, length-of-service limits, planning and reporting requirements, and the management approvals necessary for exceptions to the standard policy.

This level of processes and controls is similar to what we do for TVA employees and is very appropriate, given that



Chief Operating Officer Ike Zeringue

our contractor workforce exceeded 11,000 people in October.

The CWM Team currently is pur-

suing technology that will automate and streamline many of the controls that are the key parts of this process, as well as collect and organize the information that will provide management the ability to assess its contracting practices and future plans.

I believe this effort will pay significant dividends to TVA in reducing costs and will lead to more informed decisions in the future on contractor staffing levels.

The CWM Team has done an excellent job in developing the policy and process, and all TVA's major organizations have been very cooperative in the timely implementation of these important controls.

— IKE ZERINGUE

Innovations —

Facilities Strategic Plan turns space surpluses into pluses

Althea Reid, a Supply Chain Associate in Nashville, had only been working in the Highland Ridge Tower a couple of months before she and the other TVA employees there relocated to One Century Plaza.

"I was a little overwhelmed by how quickly we moved," says Reid, who works in Procurement's Corporate Contracts group. "But the move was well-organized."

"I was most impressed by the fact that it did not hamper my ability to continue daily work tasks. And I see how consolidating the space has proved beneficial to TVA."

With that move and other Valleywide property changes, Facilities Management has been implementing the Strategic Facilities Plan to reduce TVA's square footage and expenses.

The SFP marks the first time TVA has used the same set of parameters — cost, location, need and economic opportunities — to evaluate the use of its 29 million square feet of space.

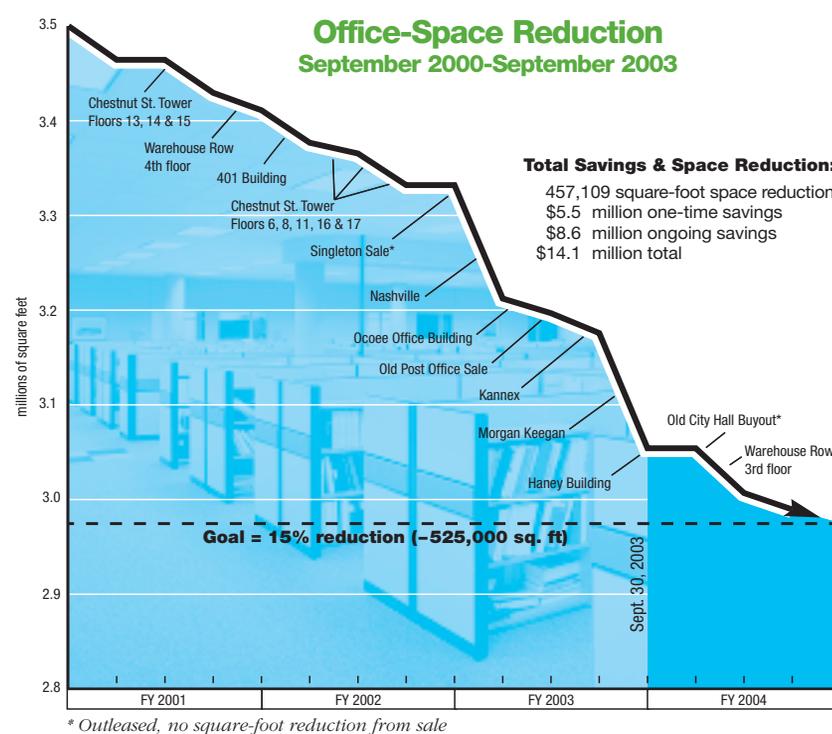
Use of the plan is helping reduce TVA's enterprisewide cost for space. It also has fostered a strong partnership between Facilities Management and other TVA organizations, including Economic Development, to benefit TVA and the local communities in which TVA conducts business.

Bill Threlkeld, Strategic Asset Manager, says there were several reasons for developing the SFP.

"Typically, the real-estate/facility category represents one of the largest support costs to a corporation," Threlkeld says.

"Also, TVA's Winning Performance measures provide an incentive to match the right space to the right organization at the right time.

"Before the SFP, little consideration was given to



* Outleased, no square-foot reduction from sale

The SFP has focused primarily on decreasing corporate real estate, centralizing facilities-management functions, and prioritizing facilities-asset-preservation projects.

Before the plan was put in place, decisions about space needs often were made by various organizations, which sometimes resulted in seemingly duplicate facilities and a fragmented presence in the local community. The plan provides a mechanism for considering all local or area space needs as a whole, offering opportunities to arrange various organizations and functions in a unified TVA presence.

One major goal established in the SFP is to reduce TVA's overall portfolio, thereby requiring fewer resources (dollars and people) to maintain the portfolio in good working order.

To date, plan implementation has resulted in office-space reductions of almost 446,000 square feet and accompanying savings of about \$14.1 million.

— SUZANNE COTTRELL

(This is the fourth in a series of articles about innovative initiatives and solutions created by employees or teams "thinking outside the box.")

Strategic Asset Solutions Team aids TVA-community partnerships

TVA's Strategic Facilities Plan resulted from the efforts of the cross-organizational Strategic Asset Solutions Team, which focuses on giving business-unit input on real-estate decisions. The team continues to provide input for plan-implementation activities.

Terrell Burkhart, Vice President of Facilities Management, says the team has provided TVA with opportunities to build partnerships with local communities.

"As a result of the team's input, we have been able to vacate several non-core buildings, then sell those buildings to local businesses, companies moving into the area, and community/economic development entities," he says.

Two examples are the Haney Building in Chattanooga, which was sold to a company representing the city of Chattanooga, and the Kannex Building in Knoxville, which was sold to the Knoxville Tourism & Sports Corp.

"Actions like these strengthen TVA's partnership in local communities," Burkhart says. "And at the same time they help TVA lower fixed costs. It's a win-win situation."

Since the SFP was approved in June 2001, TVA has earned the Corporate Real Estate Leadership Award from Site Selector Magazine in May 2002 and the 2002 General Services Administration Achievement Award for Real Property Innovation.

— SUZANNE COTTRELL

Excelling environmentally

Allen Fossil Plant earns Excellence of Year Award; five other awards salute team and individual environmental efforts

Allen Fossil Plant has won TVA's Environmental Excellence of the Year Award for 2003 for its aggressive program to maximize plant performance while at the same time reducing nitrogen-oxide emissions as part of TVA's clean-air strategy.

NOx contributes to the formation of ozone.

"TVA has one of the nation's most ambitious clean-air programs, and by the end of this decade will have spent almost \$6 billion to reduce sulfur-dioxide emissions by 85 percent and nitrogen-oxide emissions by 75 percent during the ozone season," Chairman Glenn McCullough said after announcement of the award at the October Board meeting in Memphis.

"We commend the employees of Allen Fossil Plant for demonstrating their commitment to environmental stewardship and for helping provide cleaner air for the people of the Tennessee Valley."

Environmental Excellence Awards are presented annually to a TVA individual, team, site, facility or organization that has demonstrated exemplary environmental performance in support of one of TVA's six environmental principles. Listed alphabetically, those principles — and their 2003 award honorees — are as follows:

Environmental Compliance — Allen Fossil Plant
Environmental Protection & Stewardship — Spencer Boardman

Innovation & Technology Advancement — Resource Management & the Wetlands & Water Quality Team.

Management Commitment — Transmission/Power Supply Performance Improvement Team, or PIT Crew Team

Partnerships/Public Involvement — Green Power Switch

Pollution Prevention & Control — The Fossil Power Group's Fuel Byproducts Team

With its three Selective Catalytic Reduction systems achieving about 90-percent reduction in NOx emissions for the entire ozone season, Allen set a record for the lowest NOx-emission rate for TVA's 11 coal-fired plants.

"This was made possible through the combined work of our Operations, Maintenance and Plant Engineering personnel," says Plant Manager Louis Lee. "It demonstrates that efficient power production and environmental compliance are mutually achievable, when employees are dedicated to the task."

Included on these pages are capsules of the accomplishments of the other award-winners:

— MICHELLE CHANG

▶ **Allen Fossil Plant** — Representing their co-workers are, from left, Deanne Hardy, Dannis Biniakewitz, Carvetta Williams, Frank Dominioni and Noel Mizell.



▲ **Spencer Boardman** — Project Manager, Rarity Pointe Recreational & Residential Development Proposal, in Resource Stewardship's Stewardship Programs. Boardman was recognized for having made a concerted effort to work in partnership with the community, the developer and TVA to find a workable solution in the development of Rarity Pointe on Tellico Reservoir. His efforts are credited with the developer's agreement to purchase and transfer to TVA other property on Tellico that had more acreage, more shoreline and similar or better natural resources than the property the developer sought.

FastFact

Any TVA employee, team, group or organization is eligible to be nominated for an Environmental Excellence Award. The TVA-wide awards are designed to recognize those who have contributed to environmental benefits for TVA and the community. Innovation and cost savings also are considered by the evaluating committee.



▲ **The TPS PIT Crew Team** — This team, led by Joan Dodd, helped protect environmental resources by changing the way TVA builds new transmission lines. Before designing transmission lines, an environmental assessment is made of the property. Through the use of new technologies, TVA is able to determine and avoid problems involving wetlands, protected species or archaeological finds. Team members include Scot Eaves, Sam Holt, Byron Hulgan, M. Scott Jones, Don Knight, Allen Miller, Michael O'Connor, Don Provine, Ron Skelton, Doug Smith, Norman Steuer, Travis Terry, Doug Thomas and Dino Xoinis. Pictured above, from left, are Smith, Miller, Dodd and Knight.



News

► **Green Power Switch** — The first and largest renewable-energy program in the Southeast, GPS won a TVA Environmental Excellence Award for its continued success in gaining partnerships and public involvement. More than 7,100 residents and 358 businesses in the Tennessee Valley currently are purchasing green power. Led by Program Manager Gary Harris, Green Power Switch was developed in April 2000. Since then, it has earned top-10 national rankings from the National Renewable Energy Laboratory two years in a row, in addition to other top honors. Team members include Carmen Copeland and Angela Hamlin in Nashville and Rick Carson, Rita Livezey, Ron Purkey and Tom Swanson in Chattanooga. Pictured at right are Hamlin and Carson.



Photos by STEVE CORUM

◀ **Fuel Byproducts Team** — Headed by Cheri Miller, this team saves TVA millions of dollars each year by turning coal-combustion byproducts such as fly ash, bottom ash, boiler slag and scrubber gypsum into manufactured products, instead of disposing of the material. TVA's coal-fired plants produce about 6 million tons of these byproducts each year. Ready-mix cement, industrial abrasives, roofing materials, gypsum wallboard and asphalt pavement are examples of manufactured products. More than 170 jobs in the Tennessee Valley have been created as a result of the work done by the Fuel Byproducts team. Several large manufacturing facilities, which depend on coal-combustion byproducts as a primary raw material, have located near Allen, Cumberland and Paradise fossil plants. Working with Miller (at right in photo at left) are team members Kathy Harper and Michael Sutton.

▲ **The Resource Management & Wetlands & Water Quality Team** — Led by Les Behrends, this team has worked with the public and private sector since 1994 to develop and demonstrate an innovative wastewater-treatment technology. TVA's ReCiprocating Water Technology, or ReCip, systems have been used commercially to treat municipal, industrial and agricultural wastewater. ReCip technology was demonstrated over a two-year period on a commercial farm near Aliceville, Ala., to treat high-strength wastewater from 5,600 pigs. The ReCip system removed significant amounts of organic matter, odor and nitrogen compounds. Team members include Earl Bailey, Gene Ellison, Laura Houke, Pat Jansen, Paul Pier, Keith Rylant, Catherine Shea, Sammie Smith and Terry Yost. Pictured above are Yost, Jansen, Houke and Bailey.

2 more distributors give 5-year notice

Monticello, Glasgow EPBs follow 4 others, demonstrating TVA's need for financial flexibility

Two Kentucky distributors — the Monticello Electric Plant Board and the Glasgow Electric Plant Board — have given TVA their five-year notice of contract cancellation.

“Monticello EPB and Glasgow EPB have been valued customers of TVA for more than 40 years each, so we naturally regret hearing of these decisions,” says Chairman Glenn McCullough on behalf of the TVA Board.

“However, we respect the decisions and are committed to continuing to provide affordable, reliable power to Monticello and Glasgow during this five-year period. We will work to earn their business for the future, and we are confident our products and services will prove to be the best choice.”

A total of six distributors of TVA power — four in Kentucky and two in Tennessee — now have given TVA notice. One of them, Meriwether Lewis Electric Cooperative, headquartered in Centerville, Tenn., has since voted to re-enter contract negotiations with TVA.

“In most cases, the rates charged by other power suppliers in Kentucky are lower than TVA's rates,” McCullough says. “Therefore, we must continue to find ways to improve our competitiveness and provide additional value-added services to earn the business of all of our customers.”

The other distributors to give notice are Warren Rural Electric Cooperative Corp., headquartered in Bowling Green, Ky.; Bowling Green Municipal Utilities, headquartered in Bowling Green; and Duck River Electric Membership Corp., headquartered in Shelbyville, Tenn.

Who's reviewing what *continued from page 1*

ment & Recruiting, Community Development, Small Business Development and Existing Industry.

Administration — Reviews are under way on core activities in the following areas: Facilities Management, Information Services, Procurement and TVA Police, with a focus on developing Service Level Agreements with customer/partner groups. Also, several non-core programs and/or functions have been identified as having the potential for cost savings through elimination, consolidation or shared services.

Human Resources — Program-review categories are Staffing & Recruiting, including Reinvestment Program; TVA University System, including Education Outreach; HR Information Services, including Technology Solutions, Policy & Planning and Shared Services; Employee Benefits & Compensation, including Workers Compensation and Live Well; Health & Safety, including Fitness For Duty and Fire Protection; Organizational Effectiveness, including STAR 7 and Cultural Health Index; Employee Relations, including Special Emphasis Programs and Labor Relations; and HR programs and services provided to distributors.

Communications & Govern-

ment Relations — Program-review categories are Government Relations, Communications Leadership & Strategy Development, External Outreach and Communications Products & Services.

The newly formed TVA Program Review Oversight Team includes a representative from each of these

organizations. The team is charged with ensuring a consistent review process across organizations and facilitating multi-organizational reviews.

This includes coordinating how programs and functions are defined and reviewed, ensuring TVA-wide review where appropriate, and preventing duplicated efforts.

— SUSAN LAUVER

Cutting costs by cutting back, cutting out

While the program reviews are under way, employees and managers throughout TVA are also taking action to cut costs immediately.

Organizations are reducing overtime, eliminating certain contractors, renegotiating rates where contractor use is critical, and cutting back on such expenses as travel, training, cell phones, assigned cars, etc.

To support that effort, the TVA Management Committee has instructed all organizations to do the following:

- Eliminate TVA-funded catering and food for internal meetings and functions, including holiday events.
- Eliminate TVA-funded gifts (caps, shirts, mugs, etc.), including those for personal events.
- Restrict travel to core business needs and eliminate foreign travel and most conference attendance.
- Re-evaluate travel for internal meetings and make more use of teleconferencing and videoconferencing.
- Reduce cell phones, pagers and personal electronic devices.
- Re-evaluate the use of leased vehicles (for example, individual assigned vehicles for staff “pool” use).
- Scrutinize all recruiting efforts to ensure that all employment decisions are based on the safe and reliable operation of TVA's core functions.

Program reviews *continued from page 1*

effective and the best possible business decision, Long says. Where surplus staffing exists, TVA will ask for volunteers before conducting an involuntary reduction in force.

Employees approved for voluntary RIFs will receive standard severance pay. A TVA-wide call for volunteers is not expected.

“Our customers have told us they want choice in who provides their electricity, and we can see competi-

tion on the horizon,” McCullough says. “We know we must make changes to improve TVA's financial flexibility.

“But what is not changing is TVA's fundamental mission. TVA will continue to provide affordable and reliable power, integrated management of the Tennessee River System, and the promotion of economic development for the people of the Tennessee Valley.”

— SUSAN LAUVER

Around the industry

This feature provides brief highlights of events in the electric-utility industry. More information is available in Power Bolts, accessible through *TVA Today*.

Duke Energy plans 2,000 job cuts — Duke Energy Corp., reporting a 79-percent drop in its third-quarter profit, recently announced a plan to reduce annual expenses by more than \$200 million beginning in 2004, cutting about 2,000 jobs. (Associated Press)

FERC rules aim to curb utility ‘cash pool’ abuses — The Federal Energy Regulatory Commission finalized rules that would prevent distressed electric utilities from raiding their affiliates for cash by requiring them to give notice if their capitalization drops below 30 percent. FERC proposed the rules after completing an investigation that found that Enron improperly borrowed about \$1 billion from two of its pipeline affiliates before it filed for bankruptcy. (Reuters)

Many in utility industry doubt big merger activity soon — Those expecting to see a lot of merger and acquisition activity in the U.S. electric utility industry are likely to be disappointed for a while, according to numerous attendees of Edison Electric Institute's annual financial conference. Unhealthy power companies are still too risky to acquire even at low prices, and the stock prices of healthy electric utilities are already very high relative to earnings, said one expert. (Dow Jones Newswire)

On behalf of the Board of Directors of the Electric Plant Board of the City of Monticello I am hereby giving Tennessee Valley Authority a five (5) year notice of the Electric Plant Board's intentions to terminate its existing power contract as amended with TVA. This notice is being given pursuant to the amended contract entered in 1997 permitting either party to terminate the contract upon five (5) years written notice.

The Electric Plant Board appreciates the service that TVA has rendered in the past several years and does regret to have to send this notice of termination, however, due to recent increases in rates and pressure from its customer base, the Electric Plant Board believes it has no other alternative but to terminate this arrangement with TVA.

Thanking you for your cooperation, I remain . . .

Very truly yours,

Above are sections of the letter from the law firm of Phillips & Phillips on behalf of Monticello (Ky.) Electric Plant Board, stating the distributor's decision to give TVA a five-year notice of contract cancellation.

IT Peer Team shares, compares

When River System Operations & Environment in 2000 was the first Chief Operating Officer organization to convert to Microsoft XP, COO Information Technology Peer Team members learned from sharing.

“We talked about what worked well and what didn’t and what their organizations should do differently,” says Peer Team Chairperson Alan Forsyth, Information Services Manager of Operations Systems. “Sharing this information makes it easier for the next organization and creates less impact on TVA’s overall business.”

Representatives from each COO organization meet monthly to leverage their knowledge and experience in the IT area. Doing their homework and

sharing their lessons are helping team members excel in their pursuit of standardizing procedures and processes.

“We focus on standardization of hardware and software and on procedures and processes,” Forsyth says of the ongoing effort. “We look at areas where we can avoid duplication and reduce costs.”

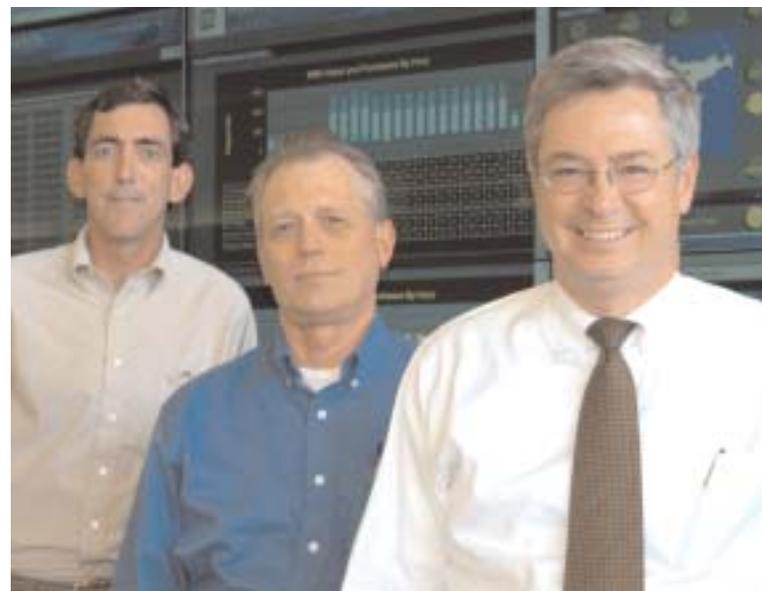
At the meetings, the IT Peer Team’s executive sponsors — IS Senior Vice President Diane Bunch and Nuclear Operations SVP Karl Singer — also share information with the team about their organizations.

“Our executive sponsors provide a perspective on what our work means to TVA,” Forsyth says.

“Karl brings a customer perspective, and Diane brings an information-technology perspective.”

The team is working on an Information Technology Standard Process & Procedure that soon will be implemented across COO.

“And the team will work



STEVE CORJUM

From left, Dale Douglas, Dennis Barnes and Alan Forsyth are on the IT Peer Team, which is focusing on standardization of hardware, software, procedures and processes to avoid duplication and reduce costs. Forsyth says the number of versions of COO software already has been reduced by 3,709, or 57 percent.

with IS in 2004 to develop four additional subprocedures supporting processes for budgeting, planning, projects and IT standards, specifically for COO,” Forsyth says.

“If a TVA procedure has already been established, we’ll use that one. If not, we’ll develop one specifically for COO organizations.”

— NANCY CANN

(This is the fourth in a series about Peer Teams.)

Less software means more savings

One of the COO Information Technology Peer Team’s “A” grades so far is in the subject of application-software inventory — such as Microsoft Word and Excel, as well as other software versions.

“In July 2001, the COO organization had 6,453 unique versions of software,” Peer Team Chairperson Alan Forsyth says. “Two years later, we had reduced that to 2,744. The fewer versions we have, the less expensive it is to manage and support them.”

Another major topic studied is the Information Technology Store inventory. The team looked at the compatibility of computers, software and special-order items, including digital cameras and personal digital assistants such as Palm Pilots. Members approve purchases for all COO organizations.

“We provide input to IS to standardize inventory TVA-wide,” Forsyth says. “And we partner with IS to improve the cycle time of software installation on desktops.” — NANCY CANN

Four saluted for engineering cost savings for TVA

Thinking outside the box ... significant accomplishments ... bringing value to TVA ... These are just a few of the phrases that have been used to describe TVA’s 2004 Engineer of the Year candidates.

Four individuals were recognized Dec. 3 as Engineer of the Year in their organization, and one of the four will receive TVA’s Engineer of the Year Award at the January Board meeting.

That person also will be TVA’s nominee for Federal Engineer of the Year.

The four honorees and the professional qualifications that earned the organizational awards are as follows:

Cost savings

ADMINISTRATIVE SERVICES James Mach, Program Administrator, Facilities Management, Morristown, Tenn. — Serves as lead engineer of the Facilities Northeast Operation & Maintenance region, where he has put in place two significant cost-saving procedures. One is his design and fabrication of herbicide spray rigs equipped to operate on railroad tracks. This reduces staff time required to spray and improves efficiency. Another accomplishment is his recommendation that TVA remove all garbage cans from campsites and use dumpsters strategically placed in campgrounds for garbage disposal. Now in place



From left, Engineers of the Year Don Lokey, Rick Collins, James Mach and Robert Frye

throughout the TVA campground system, this saves the corporation an immeasurable amount of money on maintenance. Mach’s responsibilities include managing budget and operations for nine dam reservations, three fossil sites and a 45-person crew.

Innovative thinking ...

FOSSIL POWER GROUP Rick Collins, Manager, Environmental Technology — Supervises employees who develop and update the environmental-technology databases to ensure that all cost and performance characteristics for new technologies are promptly and accurately reflected in TVA’s planning process. In this area, Collins developed innovative and complex computer models that provide TVA with the capa-

bility of quickly assessing systemwide multi-billion-dollar cost/performance impacts associated with various federal and state environmental regulatory proposals and legislative bills. Results from these models provide TVA with the basic information necessary for the coordinated formation of agency opinions, positions and support of such environmental proposal and bills. Model results are incorporated into TVA’s business-planning processes on major clean-air projects.

Perseverance ...

RIVER SYSTEM OPERATIONS & ENVIRONMENT Don Lokey, Environmental Engineer — Serves as team leader in preparing TVA’s Title V air operating-permit appli-

cations for five coal-fired power plants. In that capacity he was required to develop and verify plant operating information needed to prepare the applications. For this multi-team project, Lokey developed and compiled source-specific emission factors, in some cases where the current estimating basis was inconclusive, not scientifically defensible or unavailable. The successful completion of this critical project was due in large part to Lokey’s preparing a comprehensive database of air-pollutant emissions to meet reporting requirements for the EPA Toxics Release Inventory and Comprehensive Environmental Response Compensation and Liability Act.

Improving processes ...

TRANSMISSION/POWER SUPPLY Robert Frye, Principal Electrical Engineer — Has made many contributions to TVA, including the development of the Protection & Control Recovery Plan. He led implementation of the plan in the switchyard after the fire at Watts Bar Hydro Plant. Frye also has excelled in switchyard projects, reducing switch-house size by about 30 percent and creating four standard substation switch houses. He developed new standard fuses, fuse holders, test switches, indicating lights and lockout relays for substation applications. He came up with an idea for a wire-labeling process and worked with TPS’s Automation Team to implement it.

A sister in need gets 'perfect gift'

The current season of sharing and caring was still weeks away when **Mary Cherry-Marks** gave her older sister, Charlotte Patterson, the perfect gift.

On Oct. 2, in separate operating rooms at Vanderbilt University Medical Center in Nashville, a surgeon removed a kidney from Cherry-Marks, and, a short time later, another surgeon transplanted it into Patterson.

"I have a younger sister and two brothers, and I'd have done the same thing for any one of them," says Cherry-Marks, on rotation as a Special Emphasis Project Manager in Human Resources Information Services in Knoxville. "Charlotte was just the one who had the need."

She says once she learned last year her sister had to have a kidney transplant, she never thought of not being a donor.

"Her doctor said the functionality of Charlotte's kidneys was only 30 percent, and she'd have to begin dialysis three times a week, four hours each time — and go on the list for a possible donor kidney. It was impossible for me to think I could have something my sister needed to sustain her life, and I would not step up for her."

Cherry-Marks and Patterson's older daughter, Ayanna, were the first two family members tested for compatibility as donors.

"Ayanna didn't match," Cherry-Marks says. "But the coordinator at Vanderbilt said Charlotte couldn't get a better match, bloodwise, than me."

What followed was "a whole host of tests" for Cherry-Marks and her sister — blood tests, CAT scans, X-rays,



Mary Cherry-Marks (left) and her sister, Charlotte Patterson, walk at Oak Ridge Mall as part of their post-surgery therapy.

stress tests. They passed them all, the surgery was performed, and the two sisters now are doing well in a recovery period marked by lots of walking, plenty of fluids and very little salt in the diet.

"Throughout this whole experience, my husband has called me his 'hero,'" Cherry-Marks says of **Bob Marks**, Manager of HR Services, Valley-Wide COO HR. "But by being there for me the whole time — literally every minute I was in the hospital — he has been my hero."

— JIM ANDREWS

PEOPLE, PLAUDITS & PROMOTIONS

The TVA Retirement System Board elected **Floyd Johnson** as its Chairman Dec. 4. He



replaces retiree **Lew Wallace**, whose board term expired Oct. 31. Johnson is an Electrical Engineer at Sequoyah Nuclear Plant, with 36 years of service. He was first elected by the membership to the TVARS Board in November 1995. **Gretchen Thal**, who was elected Vice-Chair, and **Leonard Muzyn** are the other two elected members of the board. The TVA-appointed members are Senior Vice President/Treasurer **John Hoskins**, Human Resources Executive VP **John Long** and Customer Service & Marketing EVP **Mark Medford**.

Rick Starks, Economic Development Senior Specialist in Bowling Green, Ky., was recognized last month at Kentucky's eighth annual Governor's Economic Development Leadership Awards. He received the James Norris Gray Award,



given to economic developers who strive to keep abreast of the ever-changing field. The award also recognizes the significant level of experience and expertise in the field.

Rick Starks

ACROSS TVA — Holiday helping hands are a TVA family tradition

TVA employees are known for their continuing contributions to their communities — particularly at this time each year, during the holiday season. Here are just a few examples of this year's activities (others are being reported in the electronic newsletter TVA Today):

Bull Run Fossil Plant — In partnership with the Claxton Optimist Club, Bull Run workers provided 25 Thanksgiving baskets with turkey, dressing and other goods to families in need. Plant workers also are donating gifts for children of needy families as part of the Angel Tree Program and helping the Optimist Club donate Christmas food baskets.

Chattanooga — Information Services employees again are supporting the Community Kitchen for the holidays. Employees are preparing to assemble 250 kits with travel-size hygiene items and new and lightly used towels, scarves and gloves. Employees are raising money for the kitchen by selling the Adventures Coupon Book, which provides descriptions, menus and "buy one, get one free" coupons for Chattanooga-area merchants, and Community Kitchen Christmas cards.

Colbert Fossil Plant — Employees are buying coats for 24 needy students at Partner In Education Cherokee Middle School.

John Sevier Fossil Plant — John Sevier workers are sponsoring an Angel Tree for children in the neighboring communities, with 100 gift requests provided by Shepherd's Center, a local charity organization. Gifts will be presented to the children at a Christmas party Dec. 18. John Sevier employees also will distribute 35 food baskets to elderly community residents during the week of Dec. 15. Employees also are collecting new or like-new coats to be distributed throughout the community. Other holiday activities include year-round contributions to a Christmas fund to help lower power bills for those unable to pay, to buy school supplies for area schools, to help purchase an oil furnace and home-repair material for a local family, and for donations for the area Youth Emergency Shelter and the Department of Children's Services in Rogersville. The plant also is entering a float in several holiday parades.

Knoxville River Operations Group — River Operations employees in Knoxville are sponsoring Angel Trees to help provide Christmas gifts for area children. This is the eighth year the group has participated in the

Angel Tree Optimist Club program, which serves thousands of children. Last year, about 500 gifts were donated for area children by Knoxville-area employees in response to these Angel Trees.

Muscle Shoals — As in years past, several Muscle Shoals employees are "adopting" an area family for the holidays. The effort is part of a program called "Sharing Christmas" conducted by the Alabama Department of Human Resources and the Salvation Army. The Colbert County family includes 11 children and five adults. Employees will provide toys, food, clothing, household items and other special needs of the family. Angel Trees are decorated with cards listing items the family can use.

Paris, Tenn. — Employees from Resource Stewardship, Engineering Services and Facilities Management are providing gifts and a party for 54 Henry County pre-schoolers in the Northwest Tennessee Headstart Program.

Sequoyah Nuclear Plant — Sequoyah workers are sponsoring 30 Headstart families and 5-8 additional local families during the holidays. Workers are providing Thanksgiving and Christmas dinner for the families,

as well as food, household goods and gifts for Christmas. The plant's Community Spirit Fund is providing a fruit basket and Thanksgiving and Christmas dinners for the Headstart families. A party also will be held for the children at the Headstart Center on Dec. 16. Last year the Sequoyah workers raised about \$26,000 to help local families during the holidays.

TVA Nuclear — Chattanooga TVAN employees for the eighth year are sponsoring an Angel Tree to benefit residents of the Children's Home/Chambliss Shelter, which provides 24-hour daycare and emergency shelter for children in crisis. On Dec. 2, about 50 pre-kindergarten children from CH/CS — TVAN's Partner In Education — came to TVA to decorate the tree and enjoy a pizza party.

Watts Bar Nuclear Plant — Watts Bar Nuclear Plant's Community Service Group is leading two initiatives to help families and children in need during the holidays. This year's Thanksgiving food drive for needy families produced about 144 baskets. Watts Bar's CSG also will help children in five surrounding counties during the holidays. The group plans to donate \$4,500 to each county to help provide Christmas toys and clothes for needy children.

Inside *Inside TVA* this month

FastFacts: TVA program reviews at a glance

Who: All TVA organizations

What: The program reviews are an examination of programs, functions and staffing levels across TVA. The reviews will result in organizations' ranking their activities in order of importance to TVA's basic mission. The evaluation will provide information for deciding whether to keep, eliminate or outsource programs and functions, and whether surplus staffing situations exist.

When: Program reviews are under way now and will be completed by the end of February 2004, with the exception of some very broad reviews that will extend beyond February.

No involuntary reductions in force will take place until after February 2004, by which time the program

reviews will be complete and results shared with employees. In areas that are identified for possible outsourcing, TVA will use the Contract Decision Model to determine whether outsourcing would be cost-effective. Where surplus staffing exists, TVA will ask for volunteers before conducting an involuntary reduction in force. A TVA-wide call for volunteers is not expected.

Where: Throughout TVA.

Why: TVA customers want choice in who supplies their electricity, and competition is on the horizon. When customers have choice, TVA will no longer be able to count on having the stable revenues it has traditionally enjoyed. TVA must achieve greater financial flexibility by accelerating debt re-

duction and reducing other costs.

How: The program reviews cover all functions and staffing levels, including supervisory ratios, and compare TVA activities to updated benchmark data on work methods and staffing. Many reviews being done by cross-functional peer teams. A newly formed TVA Program Review Oversight Team includes representatives from the major organizations and is charged with ensuring a consistent review process and facilitating multi-organizational reviews.

See extended coverage of program reviews on pages 1 & 6, and Contract Workforce Management information on page 3.



CLETUS MITCHELL



SUSAN HILTON

ABOVE: Sisters Charlotte Patterson (left) and Mary Cherry-Marks share more than love for each other. Cherry-Marks, who works for TVA in Knoxville, gave Patterson the "gift of life," a donor kidney. See "Sister in need gets perfect gift" on page 8.

RIGHT & ABOVE RIGHT: Like other organizations and facilities around TVA, Kingston Fossil Plant demonstrated its community involvement again this holiday season by placing its "Christmas Train" in the Roane County Christmas Parade in Kingston. The train is powered by a lawnmower motor. Among those participating were, from left, Plant Manager Earl Deskins in Santa cap, employees Donna Godsey and Doug Coleman, spouse Karen Deskins and employee Gerald Smith. For more stories of TVA holiday activities to help communities and individuals, see "Across TVA" on page 8.



SUSAN HILTON